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Investing in Alignment With Shariah Values

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For over 100 years, faith-based institutions and individuals have considered their values alongside their financial decisions. The foundation of this approach is a mission to preserve and promote the worth of every person. This social principle applies to a broad range of faiths and is a core teaching of Islam.

Shariah, or Islamic law, which is principally laid down in religious texts such as the Qur'an and the Sunnah, guides every aspect of an ethical life, including investing and philanthropy. As such, investors may seek to integrate Shariah values with financial objectives in accordance with their personal interpretation of these faith-based values.

Historical Context for Islamic Finance and Shariah Investing

The foundations of Islamic finance date back to the time of the Prophet Muhammad in the 7th century, with religious mission and key values—such as the prohibition of *riba* (a term meaning "excess" and typically understood as usury or interest)—as prescribed in the Qur'an. While these principles were established long ago, they remain relevant among various other evolving approaches that shape Shariah-compliant institutional and individual investment preferences.

In the 1960s and '70s, a handful of institutions pioneered the modern Islamic banking industry. The first Islamic bank, the Mit-Ghamr Islamic Saving Associations (MGISA), was established in Egypt in 1963 and demonstrated how commercial banking could be organized on a non-interest basis to provide Muslims with returns that did not infringe on their faith-based values.[1] The bank operated based on a profit-sharing model, offering depositors a share of its profits instead of interest. It also lent money to businesses on a profit-sharing model. MGISA saw fast deposit growth in its first three years of operations before it was closed primarily for political reasons.[2]

Since then, the market has grown substantially, with total Islamic finance assets estimated at $4.5 trillion in 2022.[3] Muslim-majority countries, such as Saudi Arabia and Malaysia, have played a vital role in the development of Islamic finance, and growth is expected to continue globally.[4] The London Stock Exchange estimates that the global Islamic finance industry will reach $6.7 trillion in assets by 2027 with strong demand from Muslim and non-Muslim investors.[5]

Islamic Views on Investing

Wealth is a central topic of Islamic teachings, which emphasize wealth as a trust bestowed by Allah.[6] The Qur'an states that it is the responsibility of all Muslims to "spend in the cause of Allah," (Qur'an, 2:195) promoting the stewardship and fair distribution of wealth for the benefit of society, while condemning economic activities harmful to human well-being and society at large. Certain activities are *haram*, or forbidden, in order to prevent harm, while those that are *halal*, are acceptable and in line with greater societal good.

Charity and distribution of wealth is a core practice for Muslims. The Five Pillars of Islam, which outline core beliefs and practices, include *zakat*, the obligatory practice of annual almsgiving (see Exhibit 1). This pillar, which requires Muslims to donate a portion of their income to those in need, is next to prayer in importance, making philanthropy a core spiritual duty for Muslims.

Exhibit 1: The Five Pillars Are Core Beliefs and Practices of Islam

1. *Shahadah* - Profession of Faith	Belief in the oneness of God (Allah) and the Prophet Muhammad as his Messenger
2. *Salat* - Prayer	Ritual prayers five times a day in the direction of Mecca
3. *Zakat* - Almsgiving	Giving a fixed amount of wealth to charity every year
4. *Sawm* - Fasting	Fasting during the month of Ramadan
5. *Hajj* - Pilgrimage	Pilgrimage to Mecca at least once in one's lifetime

Source: Morgan Stanley Wealth Management Investing with Impact

Built on a strong doctrinal foundation, interest in integrating modern-day financial considerations with values and mission continues to grow. In November 2024, the Islamic Development Bank and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) hosted the 19th Annual Islamic Banking and Finance Conference in the Kingdom of Bahrain, where delegates, including industry practitioners, financial regulators and Shariah scholars, gathered to discuss topics in Islamic finance, including the challenges of converting conventional banks and financial systems to Islamic finance. Speakers emphasized "the need for a visionary approach to foster a sustainable, efficient and resilient halal ecosystem, enhancing economic diversity and leveraging the potential of youth and women entrepreneurs."[7] The conference acknowledged the vast, growing influence of financial markets on society and stressed the role of Islamic finance in fostering social and financial responsibility. This priority is an especially important one when considering and contributing to the success of future generations.[8]

What Is Shariah Investing?

Based on Islamic ideologies regarding wealth, Shariah investing is an investment approach that adheres to Islamic law. The main principles of Shariah investing are those of equity, fairness and transparency; risk-sharing; and ownership/materiality (see Exhibit 2).

Exhibit 2: Core Principles and Guidelines of Shariah Investing

Equity, Fairness and Transparency	• Riba: prohibition of interest • Gharar: prohibition of excessive uncertainty and speculation • Haram: prohibition of forbidden activities and products, such as alcohol, gambling, intoxicating drugs and pork • Zakat: compulsory charitable giving on an annual basis
Risk Sharing	• Return on capital is legitimized by risk-taking and profit-loss sharing
Ownership/ Materiality	• Financing must be linked to real assets

Source: International Monetary Fund (IMF), Morgan Stanley Wealth Management Investing with Impact

Prohibition of Riba

> "They say, 'Trade is just like interest.' But Allah has permitted trade and forbidden interest." (Qur'an, 2:275)

The prohibition of riba is one of the most frequently discussed tenets of Shariah investing. Mentioned several times in the Qur'an as a serious offense, riba is considered exploitative.[9] The basis of its prohibition is the belief that interest creates an unequal relationship between the lender and borrower, allowing the lender to accumulate wealth without taking risk. Investors complying with Shariah values therefore avoid earning or charging interest.

Prohibition of Excessive Uncertainty and Speculation

Investments cannot be made based on *gharar*, or excessive uncertainty, as highly speculative transactions run contrary to the idea of certainty and transparency in business. For example, derivatives transactions, such as those based on futures and options contracts, are prohibited for their speculative nature. *Maysir*, or gambling, is also prohibited based on the belief that returns should be earned by effort, rather than achieved by a result of chance or excessive uncertainty.[10]

Prohibition of Haram Investments

> "O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent." (Qur'an, 4:29)

Under Islamic law, investors avoid engaging in immoral or unethical businesses. In addition to the prohibition of riba, there are provisions within Shariah-compliant investing restricting other haram activities, including trade in commodities such as alcohol, tobacco or pork.

Investors typically avoid companies that generate income from these products or activities in excess of a de minimis level, typically defined as less than 5% of revenue. Investors may then donate any de minimis haram income to charity to ensure Shariah compliance through a process known as purification (see Exhibit 3).

Exhibit 3: Degrees of Shariah Compliance Vary by Company and Require Different Levels of Purification

Noncompliance ⟷ **Strict Adherence**

Shariah Noncompliant	Mixed	Pure
• Non-halal activity is a core source of income. • Debt and investment ratios exceed allowed thresholds.	• Core business is Shariah compliant. • Business involvement and financial ratios do not exceed the allowed thresholds. • Purification of any haram revenue.	• Core business is Shariah compliant. • Business does not involve interest-based debt, deposits or loans. • Little to no purification required.

Source: AAOIFI, October 2017

Zakat

> "[True] righteousness is [in] one who [...] gives of their wealth, in spite of love for it, to relatives, orphans, the needy, the traveler, those who ask [for help] and for freeing slaves; [and who] establishes Prayer and gives zakat ..." (Qur'an, 2:177)

Zakat is a religious obligation to donate a certain proportion of wealth to charity each year. Zakat is typically due on assets that surpass a minimum threshold, known as *nisab*. In this way, zakat guards against the accumulation of wealth and reinforces the value of wealth distribution for improved social harmony and economic justice.

Return on Capital Legitimized by Risk Sharing

The prohibition on interest does not imply that investors are not able to earn returns. According to a key Shariah ruling, "reward (that is, profit) comes with risk taking."[11] In other words, investment returns must be earned in tandem with risk taking, not with the mere passage of time.[12] Shariah-compliant investing is thus based on the sharing of realized profit and loss.

Asset-Backed Principle

Under Islamic law, money has no intrinsic value but is rather a medium of exchange.[13] Shariah-compliant transactions must therefore be tied to a tangible underlying asset or real economic activity. As elaborated on by renowned 14th century scholar Ibn Qayyim al-Jawziyya, "When money begins to be treated as a commodity and becomes the objective of transactions, the entire (economic) system will become corrupted and in crisis."[14]

Laying the Foundation for Implementing Shariah Values Investing

Islam is a religion of scholarly inquiry and robust debate over how Shariah principles are to be interpreted in the modern world. These interpretations may vary across Islamic branches and among scholars. Islamic standard-setting authorities continue to emphasize Shariah values and provide guidance for religious investing. Founded in 1991, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has issued standards that codify philosophical teachings as a set of Shariah guidelines for Islamic financial institutions and investors (see Exhibit 4). These include negative-screening methodologies for Shariah-compliant investments, allowing investors to select Shariah-compliant stocks with de minimis revenue from haram activities.

While AAOIFI provides guidelines that have been adopted as mandatory by several central banks, such as those in Bahrain and Oman, it is nevertheless one of many standards, leaving room for interpretation depending on the teachings and preferences of specific organizations and individuals and their unique financial objectives and investment constraints. Additionally, organizations may have their own Shariah advisory boards composed of qualified Islamic scholars to review investment holdings and financial products for compliance.

In general, incorporating Shariah principles into investments is a matter of a case-by-case discussion that should also consider investment constraints. Clients may work with a Morgan Stanley Financial Advisor, Private Wealth Advisor or Institutional Consultant to develop a tailored investment approach based on their preferences and financial needs.

Exhibit 4: Interpretation of AAOIFI's Shariah Screening Methodology

Business Involvement Screening Prohibition of investment and trading in shares of companies with businesses involvement in non-halal activities.	Companies with **impermissible core businesses**	Most indexes exclude companies involved in: • Alcoholic beverages • Arms/defense • Entertainment • Gaming • Interest-based financial institutions • Non-halal food products • Pork production • Tobacco • Other activities deemed to be contrary to Islam
	Companies whose primary activity is permissible but that have **impermissible income exceeding 5% of total income**	• Impermissible income / total income
Financial Ratios Screening Can include restricting investments in companies with financial ratios exceeding recommended limits.	Companies with long-term or short-term **debt exceeding 30% of market capitalization**	• Total debt / market capitalization
	Companies with **interest-bearing securities exceeding 30% of the market capitalization of total equity**	• Total cash + interest-bearing securities / market capitalization of equity • Total cash + interest-bearing securities / total assets
	Companies with **accounts receivables exceeding ~50% of total assets**	• Accounts receivable / total assets

Source: AAOIFI as of Feb. 23, 2025

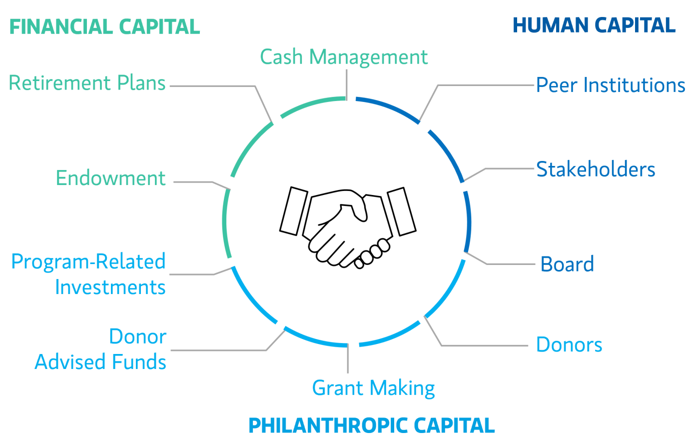
Maximizing Shariah Values-Aligned Capital

In order to guide faith-based clients, Morgan Stanley has developed a framework called Mission Align 360°. This proprietary process serves as a road map for clients to evaluate all pools of capital—financial, philanthropic and human—and allocate to faith and mission. These pools of capital may include the following (see Exhibit 5).

- **Financial Capital:** investments that seek to meet long-term financial goals alongside positive environmental and social impact in alignment with mission
- **Philanthropic Capital:** capital that has no, or low, expectation of financial return, such as grant-making and program-related investments targeting mission alignment
- **Human Capital:** the collective skills, talents, knowledge and other intangible assets of families and organizations that drive decision-making across all pools of capital

This primer focuses on financial and philanthropic capital. For more information on how to think about human capital, please reference our Mission Align 360 primers.

Exhibit 5: Capital Available for Total Mission Alignment



Source: Morgan Stanley Wealth Management Investing with Impact

A Hypothetical Case in Point

To illustrate how to better align multiple pools of Shariah-compliant capital, we present a hypothetical example of a Muslim family that is largely focused on aligning its portfolio with Shariah principles.

The family finds it important to invest in companies whose efforts are aligned with the family's faith. The family also believes that charitable giving, or zakat, is an important avenue to transfer values down through multiple generations—an activity funded in part by cash flow from investments.

This vision is shared by the children and grandchildren, who are becoming more involved in familial financial management, especially as some family members approach full retirement and educational planning on behalf of the family's youngest members is a top concern.

Now, let's say that the family members organize a meeting with their Morgan Stanley Financial Advisor, Private Wealth Advisor or Institutional Consultant to examine the family's charitable giving and investing practices. The goal is to align both pools of capital with Shariah principles. How might this discussion begin, and where could it lead? Arguably the best way to start is by looking inward. Following are a few key questions the family and its Financial Advisor may explore:

- Is the family's current portfolio diversified across asset classes and in compliance with Shariah investing principles? Can investments be further diversified over time?
- How do Shariah values influence the family's practice of zakat and its overall investing?
- How can the family prioritize compliance with Shariah investing principles as wealth is transferred across generations?

The family may reflect on invested capital and whether it is not only Shariah-compliant but well diversified across asset classes. Working with its Morgan Stanley Financial Advisor, Private Wealth Advisor or Institutional Consultant to structure a portfolio to pursue financial goals in terms of asset allocation and manager selection, the family might look to include additional funds that focus on additional asset classes or more deeply emphasize halal activities or thematic solutions.

The family may also choose to engage with companies in its portfolio to influence them to change their practices to better align with the family's values. Such companies may include those with practices that might be misaligned with its values—such as companies that have a record of human rights violations or those engaged in controversial environmental practices.

Further, the family's discussion might inspire it to work with Morgan Stanley Philanthropy Management to examine its zakat charitable giving or explore setting up a donor-advised fund, ultimately determining if these initiatives support its efforts to build synergies between Shariah values and financial management.

Incorporating Shariah Principles Across Financial Capital

The Morgan Stanley Investing with Impact Platform delivers comprehensive and holistic wealth solutions for investors who seek to align their investments with their values. Morgan

Stanley offers more than 3,000 investment strategies, a subset of which have met the high requirements necessary to be on the Investing with Impact Platform, including a number that intentionally address Shariah values.

In the public markets, an investor's Shariah values-aligned investment process may be implemented across asset classes through products such as exchange-traded funds (ETFs), mutual funds (MFs) and separately managed accounts (SMAs). For qualified investors, the process may also be implemented via private markets investments. To select investment strategies that seek to adhere to the core principles and guidelines of Shariah investing, investors can work with a Morgan Stanley Financial Advisor, Private Wealth Advisor or Institutional Consultant. Potential approaches for such an investment framework include the use of Shariah values as a restriction screen (haram), Shariah values integration (halal) and thematic solutions (see Exhibit 6).

Shariah values-aligned investors can also seek to bring positive change through shareholder engagement. Shareholders have an opportunity to influence the behavior and practices of the companies they own. In practice, this may mean engaging with company management, voting proxies and/or filing shareholder resolutions based on a Muslim worldview of environmental, social and governance (ESG) practices. For example, a Shariah values-aligned manager, on behalf of a shareholder, might engage with a company to encourage adherence to employment practices without discrimination. If there are signs of discrimination and the company does not appropriately address the issue, the manager may move to divest to maintain the integrity of the investment decision.

Portfolio Construction

The integration of Shariah values-aligned criteria into an investment portfolio should be considered alongside traditional asset allocation and overall investment strategy decisions. Morgan Stanley Financial Advisors can work with clients to determine an appropriate portfolio solution that integrates Shariah objectives alongside financial goals and risk tolerance and can help them build their own Shariah benchmark. A Shariah-compliant portfolio seeks to activate all market-rate investments across asset classes toward Shariah values. This approach depends on the financial goals and availability of Investing with Impact strategies that incorporate Shariah values-aligned criteria.

Exhibit 6: Integrating Shariah Values Across Investments

Investment Approach	Overview
Sharia Values as a Restriction Screen (Haram)	One approach investors can take to become Shariah-compliant is to screen out objectionable industries or sectors that they consider to be haram. AAOIFI has issued standards that codify philosophical teachings as a set of Shariah guidelines for Islamic financial institutions and investors, including areas of avoidance such as non-Islamic banks and insurance companies, tobacco, weapons, alcohol and gambling. At Morgan Stanley, there are three ways for investors to implement a restriction-screening approach: 1) invest in funds that implement predefined restrictions; 2) for eligible investment strategies that do not align, choose from over 30 restriction screens, including dedicated Shariah Values screens; or 3) invest in a customizable strategy, whereby investors work directly with an asset manager to create a customized restriction-screen approach.
Sharia Values Integration (Halal)	Beyond eliminating objectionable companies, investors can evaluate criteria that align with Shariah values and are considered halal. This may include integrating metrics related to a company's corporate practices into the investment process in order to identify risks and opportunities related to Shariah values.
Thematic Solutions	Investors may also seek to invest in entities and industries deemed in line with Shariah values that promote greater societal good. This approach focuses on investing in companies that supply products and services that generate positive impact and advance solutions to global challenges. Investments can be made across asset classes and aligned with a wide range of themes. Examples include companies that facilitate access to food and clean water, economic equality, education and affordable housing.

Source: Morgan Stanley Wealth Management Investing with Impact

Asset Allocation Approaches to Shariah Values Investing

When looking at the investment opportunity set across asset classes, it is important to note that there are more robust investment opportunities in certain asset classes (see Exhibit 7). For example, there are more Shariah-compliant investment strategies in public equities than in fixed income.[15] However, growth and product development in the Islamic finance industry have led to increased availability of funds covering other asset classes, such as sukuk (Islamic fixed-income instruments). With growing demand for Shariah-compliant investment strategies, equity offerings, previously dominated by actively managed funds, have seen passive investments become more widely available, with Shariah-compliant ETFs offering a cost-effective and transparent option for Shariah values-aligned investors.[16]

The values of certainty and transparency under Shariah additionally favor asset-backed investments such as real estate or commodities, while alternative investments such as hedge funds are typically excluded due to their speculative strategies. Other asset classes that lend themselves to Shariah-compliant investing include private equity investing with little to no leverage, though these strategies may have more limited availability.[17]

Investors are unique, and not every asset class will be appropriate or relevant. In instances where there are limited asset class opportunities, investors may consider allocating to funds with an intentional approach to ESG integration that addresses a broad range of ESG issues. An important additional constraint for investors to consider is the size of the investment portfolio.

Monitoring Progress of a Shariah Values-Aligned Strategy

Monitoring and reporting progress is a key component of Shariah investing. Morgan Stanley launched an award-winning[18] and patented application[19]—Morgan Stanley Impact Quotient® (Morgan Stanley IQ®)—that captures a client's unique impact preferences and delivers multidimensional reporting on the investment portfolio's alignment with objectives and exposure to issues of concern. With this application, Financial Advisors, Private Wealth Advisors and Institutional Consultants can work with clients to periodically report on the extent to which a client's portfolio is aligned with Shariah values. Morgan Stanley IQ® can also be used to adjust portfolio holdings to improve alignment.

Exhibit 7: Asset Class Characteristics and Considerations for Shariah Investing

	Public and Private Equity	Fixed Income / Private Debt	Real Estate	Liquid Alternatives
Characteristics	• Business Activity Screening • Balance Sheet and Leverage Screens • Income purification methodology	• Sukuk and asset backed strategies can represent fixed income solutions • Exclusion of conventional fixed income and private debt	• Shariah wrappers and sharia debt replacements	• Excluded due to derivatives and speculative nature of alternatives
Key Considerations	• Reduced equity universe complicates diversification	• Investors share risk with issuer on a profit and loss basis	• Limited strategies available given high leverage in traditional real estate	

Source: Morgan Stanley Wealth Management Investing with Impact

Approaches to Shariah Values-Aligned Philanthropy

Muslims define philanthropy as an essential act of worship where the intended use of funds is in harmony with Shariah values. Philanthropic capital is a powerful tool that can help advance the goal of values alignment, and there are different approaches (see Exhibit 8).

Shariah Values Investing in Action: In Stewardship of the Faith

The Qur'an encourages Muslims to "spend in the cause of Allah." This Qur'anic verse continues with the following: "and do good; indeed Allah loves the doers of good." (Qur'an 2:195). In a modern context, spending in the cause of Allah can include aligning investments and philanthropic giving with faith-based values. At Morgan Stanley, we have been working to support these efforts. Through our extensive research and collaboration with asset managers and industry organizations, our goal is to create a giving-and-investing framework that leads to clear action yet is flexible enough to accommodate a broad range of financial, impact and faith-based goals.

Leveraging these resources and networks, we have a history of helping clients create customized portfolios to meet their values and catalyze additional capital. Currently, Morgan Stanley Investing with Impact offers its clients customization across multiple faiths, such as Christianity (including denominations such as Baptist and Catholic), Islam and Judaism. Our team also provides a suite of portfolio solutions that seek to broadly advance sustainability, mitigate climate change, support diversity and inclusion, promote community economic development and more.

Morgan Stanley also produces informative insights and actionable ideas on a range of sustainability themes through publications and reports from Investing with Impact, the Institute for Inclusion, the Institute for Sustainable Investing and Morgan Stanley & Co. Equity Research. At Morgan Stanley, we see both individual and institutional investors motivated to invest their portfolios in accordance with their personal and faith-based mission and values. We believe it is important for investors to partner with a Financial Advisor, Private Wealth Advisor or Institutional Consultant to help navigate the complexity of this ever-evolving approach to investing.

These guides can be vital in helping investors identify which investment options and portfolio approaches may help to achieve their financial and faith goals. In our experience, success around integrating Shariah values requires active participation from clients working alongside their financial professionals to recognize the advantages and limitations of the current market and shape the marketplace to benefit future growth in adoption of Shariah-compliant investing.

Exhibit 8: Philanthropic Approaches Shariah Values-Aligned Investors May Take to Maximize their Impact

Philanthropic Approach	Overview
Program-Related Investments	Employ various financing methods to achieve mission. These might include equity investments and other investment types. While these investments may generate income, they are differentiated by a direct focus on mission and regulation against purposeful creation of income, with an expectation of below-market returns; this type of philanthropic capital counts toward a foundation's 5% distribution requirement.
Recoverable Grants	Philanthropic tools that offer donors the potential to recover granted capital if the recipient charity meets a predetermined level of success. Any funds recovered can then be used for future grant-making and remain compliant with Shariah principles because they do not bear any interest. Recoverable grants can be a powerful tool for situations in which a charity experiences a funding gap, wants to scale its impact quickly or needs funding to support high-risk innovation.
Grants	Donation of nonrepayable funds to nonprofit entities, and in some cases individuals, that advance the mission of the family, foundation or donor-advised fund. Shariah values-aligned philanthropists make donations to a broad spectrum of Islamic and secular medical, educational, arts and cultural, environmental and social organizations. Grants align with the Islamic obligation of zakat, which calls for annual donations to charity.

Source: Morgan Stanley Wealth Management Investing with Impact

Investing with Impact

Launched in 2012, Morgan Stanley Investing with Impact provides our Wealth Management clients—including faith-based investors—a suite of investment options, portfolios, tools and analysis to deliver solutions that can help generate both competitive market-rate financial returns and measurable, positive environmental and social impact. To learn more about Investing with Impact at Morgan Stanley, contact your Financial Advisor, Private Wealth Advisor or Institutional Consultant and visit www.morganstanley.com/impactinvesting.

Philanthropy Management

Established in 1998, Morgan Stanley Philanthropy Management supports individuals, families, corporate and private foundations, and nonprofit organizations by offering a suite of advisory services, publishing thought leadership and hosting experiential opportunities to help clients define and realize their charitable goals. The team assists individual and family clients in areas such as mission and vision creation, grantee research and due diligence, and philanthropic legacy and succession planning while advising nonprofit clients on topics such as fundraising strategy, strategic planning, and board governance, recruitment and development.

Endnotes

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Disclosure Section

Important Disclosures

For index, indicator and survey definitions referenced in this report please visit the following: ***https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions***

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Hypothetical Performance

General: Hypothetical performance should not be considered a guarantee of future performance or a guarantee of achieving overall financial objectives. Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

Hypothetical performance results have inherent limitations. The performance shown here is simulated performance not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results.

Despite the limitations of hypothetical performance, these hypothetical performance results may allow clients and Financial Advisors to obtain a sense of the risk / return trade-off of different asset allocation constructs.

Investing in the market entails the risk of market volatility. The value of all types of securities may increase or decrease over varying time periods.

This analysis does not purport to recommend or implement an investment strategy. Financial forecasts, rates of return, risk, inflation, and other assumptions may be used as the basis for illustrations in this analysis. They should not be considered a guarantee of future performance or a guarantee of achieving overall financial objectives. No analysis has the ability to accurately predict the future, eliminate risk or guarantee investment results. As investment returns, inflation, taxes, and other economic conditions vary from the assumptions used in this analysis, your actual results will vary (perhaps significantly) from those presented in this analysis.

The assumed return rates in this analysis are not reflective of any specific investment and do not include any fees or expenses that may be incurred by investing in specific products. The actual returns of a specific investment may be more or less than the returns used in this analysis. The return assumptions are based on hypothetical rates of return of securities indices, which serve as proxies for the asset classes. Moreover, different forecasts may choose different indices as a proxy for the same asset class, thus influencing the return of the asset class.

Risk Considerations

Investing in the market entails the risk of market volatility. The value of all types of securities may increase or decrease over varying time periods.

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Environmental, Social and Governance-Aware Investments (ESG)

Certain portfolios may include investment holdings that takes into account one or more Environmental, Social and Governance ("ESG") factors (referred to as "ESG investments"). For reference, environmental ("E") factors can include, but are not limited to, climate change, water, waste, and biodiversity. Social ("S") factors can include, but not are not limited to, employees, diversity & inclusion, cyber security, data privacy, health & wellness, supply chains, product safety & security, community engagement, and human rights. Governance ("G") factors can include, but are not limited to, board structure & oversight, leadership composition, pay and incentive structures, corruption & bribery, ethics & business conduct, shareholder rights, accounting & audit practices, tax evasion, and risk management. You should carefully review an investment product's prospectus or other offering documents, disclosures and/or marketing material to learn more about how it incorporates ESG factors into its investment strategy.

ESG investments may also be referred to as sustainable investments, impact aware investments, socially responsible investments or diversity, equity, and inclusion ("DEI") investments. It is important to understand that ESG definitions and criteria used within the industry can vary, and ESG ratings of the same subject companies and/or securities can vary among different ESG ratings providers for various reasons including. differences in definitions, methodologies, processes, data sources and subjectivity among ESG rating providers when determining a rating. Certain issuers of investments including, but not limited to, separately managed accounts ("SMAs"), mutual funds and exchange traded funds ("ETFs") may have differing and inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. Further, socially responsible norms vary by region, and an issuer's ESG practices or Morgan Stanley's assessment of an issuer's ESG practices can change over time.

Portfolios that include investment holdings deemed ESG investments or that employ ESG screening criteria as part of an overall strategy may experience performance that is lower or higher than a portfolio not employing such practices. Portfolios with ESG restrictions and strategies as well as ESG investments may not be able to take advantage of the same opportunities or market trends as portfolios where ESG criteria is not applied. There is no assurance that an ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or a dependable measure of future results. For risks related to a specific fund, please refer to the fund's prospectus or summary prospectus.

Investment managers can have different approaches to ESG and can offer strategies that differ from the strategies offered by other investment managers with respect to the same theme or topic. Additionally, when evaluating investments, an investment manager is dependent upon information and data that may be incomplete, inaccurate or unavailable, which could cause the manager to incorrectly assess an investment's ESG characteristics or performance. Such data or information may be obtained through voluntary or third-party reporting. Morgan Stanley does not verify that such information and data is accurate and makes no representation or warranty as to its accuracy, timeliness, or completeness when evaluating an issuer.

Morgan Stanley's assessment of an issuer's ESG practices or an ESG portfolio is as of the date of this material. No assurance is provided that the underlying assets have maintained or will maintain any applicable ESG designations or any stated ESG compliance, or that the underlying assets have been operated or will be operated in an ESG-compliant manner. The ESG impacts of the securities and any underlying assets may vary over time.]

This can cause Morgan Stanley to incorrectly assess an issuer's business practices with respect to its ESG practices. As a result, it is difficult to compare ESG investment products.

Morgan Stanley makes no representation as to the compliance or otherwise of any fund or portfolio with any laws or regulatory guidelines, recommendations, requirements or similar relating to the ESG characterization of any fund or portfolio, or in connection with or to meet any of your investing ESG objectives, metrics or criteria.

The appropriateness of a particular ESG investment or strategy will depend on an investor's individual circumstances and objectives. Principal value and return of an investment will fluctuate with changes in market conditions.

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment.

An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. Investing in an international ETF also involves certain risks and considerations not typically associated with investing in an ETF that invests in the securities of U.S. issues, such as political, currency, economic and market risks. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economics. ETFs investing in physical commodities and commodity or currency futures have special tax considerations. Physical commodities may be treated as collectibles subject to a maximum 28% long-term capital gains rates, while futures are marked-to-market and may be subject to a blended 60% long- and 40% short-term capital gains tax rate. Rolling futures positions may create taxable events. For specifics and a greater explanation of possible risks with ETFs¸ along with the ETF's investment objectives, charges and expenses, please consult a copy of the ETF's prospectus. Investing in sectors may be more volatile than diversifying across many industries. The investment return and principal value of ETF investments will fluctuate, so an investor's ETF shares (Creation Units), if or when sold, may be worth more or less than the original cost. ETFs are redeemable only in Creation Unit size through an Authorized Participant and are not individually redeemable from an ETF.

Please consider the investment objectives, risks, charges and expenses of the fund(s) carefully before investing. The prospectus contains this and other information about the fund(s). To obtain a prospectus, contact your financial advisor. Please read the prospectus carefully before investing.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

Investing in foreign markets entails risks not typically associated with domestic markets, such as currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, and the potential for political instability. These risks may be magnified in countries with **emerging markets and frontier markets**, since these countries may have relatively unstable governments and less established markets and economies.

Investing in currency involves additional special risks such as credit, interest rate fluctuations, derivative investment risk, and domestic and foreign inflation rates, which can be volatile and may be less liquid than other securities and more sensitive to the effect of varied economic conditions. In addition, international investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

Physical precious metals are non-regulated products. Precious metals are speculative investments, which may experience short-term and long-term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. If sold in a declining market, the price you receive may be less than your original investment. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. The Securities Investor Protection Corporation ("SIPC") provides certain protection for customers' cash and securities in the event of a brokerage firm's bankruptcy, other financial difficulties, or if customers' assets are missing. SIPC insurance does not apply to precious metals or other commodities.

Alternative investments may be either traditional alternative investment vehicles, such as hedge funds, fund of hedge funds, private equity, private real estate and managed futures or, non-traditional products such as mutual funds and exchange-traded funds that also seek alternative-like exposure but have significant differences from traditional alternative investments. The risks of traditional alternative investments may include: can be highly illiquid, speculative and not appropriate for all investors, loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than open-end mutual funds, and risks associated with the operations, personnel and processes of the manager. Non-traditional alternative strategy products may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. These investments are subject to the risks normally associated with debt instruments and also carry substantial additional risks. Investors could lose all or a substantial amount of their investment. These investments typically have higher fees or expenses than traditional investments.

Hedge funds may involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager.

Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

REITs investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

Derivative instruments. Options, futures contracts, options on futures contracts, forward contracts, swaps and structured products are examples of derivative instruments. Risks of derivative instruments include imperfect correlation between the value of the instruments and the underlying assets; risks of default by the other party to certain transactions; risks that the transactions may result in losses that partially or completely offset gains in portfolio positions; and risks that the transactions may not be liquid. Please see the fund's prospectus for additional information.

The **indices** are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. The indices are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Comparing an investment to a particular index may be of limited use.

The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley retains the right to change representative indices at any time.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment product.

DEI Signal was launched in response to increasing evidence demonstrating the importance of diversity, equity and inclusion (DEI) in the workforce. Companies are increasingly evaluating their cultures and practices related to gender and racial equality in order to attract and retain top talent, and investors are increasingly asking for this data to be disclosed while seeking to invest with asset managers who are making progress on improving diversity. Recognizing the importance of data transparency to measuring and driving progress, and in alignment with the Inclusion pillar of the Investing with Impact framework, we are collecting over 30 data points from our asset management partners, who, combined, manage roughly 70% of global assets under management. DEI Signal was created as a framework for analyzing the data in a holistic way. The questions focus on policies to support inclusive and diverse workplaces, diverse representation and disclosure. Through these questions, DEI Signal seeks to increase transparency on diversity statistics and shepherd greater diversity and inclusion across the industry.

Powered by Morgan Stanley IQ, **Impact Signal** is one of the industry's first holistic manager scoring tools that quantitatively evaluates strategies on their impact strength. Impact Signal enables us to evaluate over 15,000 funds and SMAs globally on the strength of their investment process and environmental and social impact. This tool focuses on evaluating two pillars of the Investing with Impact framework: 1) Intentionality, as indicated by a documented process for considering environmental and social factors in the investment process and the subsequent positive impact of the underlying holdings and 2) Influence, which evaluates engagement with portfolio companies to encourage them to be better environmental and social stewards. The Morgan Stanley Impact Quotient® report is an assessment of an investor's portfolio (or subset thereof) utilizing various environmental, social and governance ("ESG") factors. The metrics included in the report are based on key topic areas for sustainable and impact investing.

Assessment of the investor's portfolio alignment with ESG factors, established by Morgan Stanley, is evaluated based on available data and expertise from MSCI ESG Research, ISS-ESG, FFI Solutions and Equileap. The Morgan Stanley Impact Quotient report does not represent Morgan Stanley's view of any individual fund or security, is not a judgment on any company's commitment to sustainability issues and is provided for informational purposes only. The report is not a "research report" as defined by FINRA Rules 2241 and 2242. It is not prepared by the Research Departments of Morgan Stanley Smith Barney LLC or Morgan Stanley & Co. LLC or its affiliates. ISS-ESG, FFI Solutions and Equileap are not affiliated with Morgan Stanley.

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